



Private
Essential
Access
Community
Hospitals

California's Community Safety Net Hospitals
Essential to Access, Essential to Health

May 20, 2020

The Honorable Toni Atkins
President Pro Tempore
California State Senate
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
California State Assembly
Sacramento, CA 95814

The Honorable Holly Mitchell
Chair, Committee on Budget and Fiscal
Review
California State Capitol
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Committee on the Budget
California State Capitol
Sacramento, CA 95814

The Honorable Dr. Richard Pan
Chair, Budget Subcommittee on Health
California State Capitol
Sacramento, CA 95814

The Honorable Dr. Joaquin Arambula
Chair, Budget Subcommittee on
Health
California State Capitol
Sacramento, CA 95814

SUBJECT: Support California's Community Safety Net Hospitals

Dear Legislative and Budget Leaders,

On behalf of Private Essential Access Community Hospitals (PEACH), I am writing to urge your support for California's community safety net hospitals. These hospitals heroically answered our state's call, further eroding their financial stability to respond to COVID-19. We've taken tremendous steps in preparing for the surge, eliminating all non-essential care, stepping up testing in our communities and treating many COVID19 patients. We also know our safety net needs to be preparing to care for the newly uninsured and underinsured population, which is growing exponentially due to the swell of losses in job-based coverage and unemployment. The community safety net needs some financial stability to manage the increased Medi-Cal population, and we need the State's support to achieve that.

Specifically, we ask the State to update its Medi-Cal fee-for-service hospital funding formula (APR-DRG) to reflect the medical complexities associated with the diminished socioeconomic status (SES) of homeless and jobless patients in the community safety net. This formula has never been adjusted since its inception in 2013, and it does not accommodate what has now been proven – the SES of patients has a direct correlation to their overall health status. Patients with lower SES have longer

1107 9th Street, Suite 1001
Sacramento, CA 95814
Office: 916.446.6000
www.peachinc.org



PEACH
California's Community Safety Net Hospitals
Essential to Access, Essential to Health

lengths of stay in hospitals - driven by their social complexities - and we believe the APR-DRG formula should be adjusted to provide additional resources to community safety net hospitals that provide a disproportionate share of care to adult individuals with a diminished SES. We urge the Legislature to invest \$50 million in State General Fund, which will be matched by \$70 million in federal funds, to reduce health disparities and ensure access to services in the community hospital safety net for vulnerable homeless and jobless adult populations.

Additionally, we ask you to urge the Administration to adjust the collection of the 24 percent contribution to the state that is part of the Hospital Fee Program. This program brings billions in new federal funding to partially offset the losses our hospitals incur for treating the Medi-Cal population. The State shares in the benefit of this program by collecting 24 percent of the net benefit received by hospitals. However, as currently structured by the state's straight-line amortization of the cash flow, collections are occurring at a pace that is significantly faster than hospitals earn their share – currently collecting 112 percent of the net benefit, or \$1.4 billion more than the agreed upon 24 percent over the next 12 months. This is strictly a cash-timing difference and does not equal any new funding requirements. During this time of crisis, we ask the State instead to take their share commensurate with the amount of benefit hospitals receive.

California's community safety-net hospitals are committed to providing care to underserved populations that live in rural, urban, agricultural and metropolitan areas throughout the state, and we have been key to the state's response to COVID-19. We are also a major force in California's economic recovery – employing more than 125,000 Californians. The community safety net hospitals are essential to access, essential to health and essential to caring underserved Californians moving forward. We strongly urge your support.

Please do not hesitate to reach out to me for any additional information or our legislative advocate, Nicette Short at 916.549.2853 or nicette@nlshortpa.com

Sincerely,

Anne McLeod
President & CEO
Private Essential Access Community Hospitals